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The Functions of the Government
in Relation to Industry.

BY

W. L. HICHENS

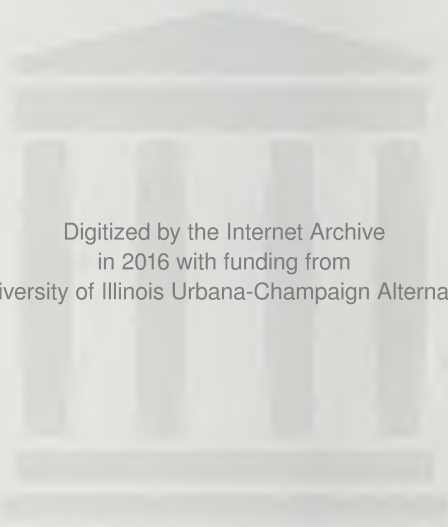
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Functions of the Government in Relation to Industry.

BEING

A LECTURE

**under the auspices of the Industrial
Construction Council, at Saddlers' Hall,
Leapside, E.C., October 30th, 1918.**

BY

W. L. HICHENS

(Chairman of Cammell Laird & Co., Ltd.)

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THE FUNCTIONS OF THE GOVERNMENT IN RELATION TO INDUSTRY.

THE habitual tendency of Englishmen is to drift down the stream of life without enquiring where they are going, and without any very definite ideas as to where they want to go. They are guided by the impulse of the moment and have a robust faith, which is often justified by the result, that they are endowed with a sound common sense which will keep them straight. "We muddle through somehow" we say to each other with a smile of easy going satisfaction, thinking the while that it is others—usually the Government—who have made the muddle, and that it is we—the men in the street—who have saved the situation.

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We blame the Government because the War took us by surprise and found us wholly unprepared, and we flatter ourselves (not without reason) because we have made a glorious recovery. We were quite ready to drift along on the smooth waters of peace without worrying as to what would happen suppose there were a war. It was an unpleasant supposition which we did not want to entertain, and we shelved the subject, characteristically enough, by attributing the suggestion that there might be a war to the Evil one working through the armament firms.

And just as we were unprepared for war in 1914, so now in 1918 we are unprepared for peace. We muddled into war, and we shall muddle into peace. Not until we find ourselves wallowing in a Serbonian bog of confusion shall we bestir ourselves, and then we shall damn the politician, and make the best of a bad job. The

politician is, of course, no more to blame than we are ourselves. He doesn't lead because we refuse to be led; he pursues a policy of masterly inactivity because we decline to budge. We hate making up our minds about anything, and, if we are forced sometimes to do so, we dislike even more altering our opinions once they are formed. "Never make up your mind about anything if you can help it, but if you do, stick to it," is the practical rule of life for the conservative majority who sway the destinies of the country—and I am not going to say that it is wholly bad.

But there are times when we must look ahead, and make up our minds what goal we mean to reach. We need not perhaps look beyond the ends of our noses while we are plodding along the straight high road, although even so the advantage is to the long-nosed, but when we come to the cross roads

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it is wise to lift up our eyes to the hills and consider which direction we mean to take.

We have arrived at a veritable network of cross-roads to-day, branching out beyond the range of the "nosiest." Shall we not then cry a halt and choose our way with deliberation? Or are we in such a hurry that we dare not pause? It is unwise, however great your hurry, to jump into the first train you see without enquiring where it is going. For the first station or two, it may carry you in the direction that you wish, but in the end you may find yourself in Sheffield instead of Blackpool.

Many of us to-day are hurrying to catch a train which is bound for "Heaven knows where," but, since it is just off, we jump in panting and self-satisfied. "After all," we reflect, "it will probably stop on the way and we shall be able to change at Com-

promise junction." But supposing it does not stop, or supposing we are stranded at Compromise junction against our will? No doubt we shall blame the Railway Company and make ourselves as comfortable as we can; doubtless we shall muddle through somehow, without pausing to reflect that we might have chosen our train more circumspectly.

I would like to pause to-day and enquire whither the Government proposes to lead the Industries of this country, before I step into the train of post-war industrial reform. [I have no desire to find myself in a non-stop train hurrying headlong to the destination of State Socialism. I do not even want to get out at Compromise junction when we are three-parts there. I prefer, personally, to travel by another route, and I object to being pushed and jostled into the wrong train by a crowd of men and

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women in a hurry, whose one object is—like the noble army of bomb-dodgers—to get away from where they are. My fear is that we shall be “all aboard,” the whistle will blow and we shall be off before we realize whither we are bound and where we want to go.

We have become so accustomed to Government Control in the every-day affairs of life during the War, we are so inured to the establishment of new Departments and new Controllers, that the invasion of what were formerly regarded as the rights of the individual no longer shocks or alarms us. The list of functions which it is proposed in different quarters that the Government shall undertake in the industrial and commercial spheres has assumed truly staggering proportions. I will not attempt to enumerate them all, for it would take too long, but the following specimen catalogue will serve

to illustrate the point. Proposals have been made to nationalize the railways, all road and water transport services, the coal mines, private armament firms, and shipbuilding firms ; it has been proposed that the State shall establish Superpower Stations for the supply of cheap electric current ; that it shall embark on an extensive housing scheme ; that it shall finance or take over the key-industries ; that it shall convert the National Factories into industrial concerns and run them for profit ; that it shall nationalize the liquor trade ; that it shall develop for profit selected resources of the Empire ; that it shall be the sole purveyor of the prime necessities of life.

Here, I think you will agree, is a formidable list of industrial activities for the State to assume as a part of its reconstruction programme, and before committing ourselves as a nation to so ambitious a policy, it would be well to

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consider it carefully from all sides. Since, once we have embarked upon it, it will be hard to retrace our steps. We shall find ourselves in a non-stop train rushing headlong to the destination of State Socialism.

As I have said before I have no wish to find myself *dans cette galère* and, if you will allow me, I will give some of the reasons why I think the Government should keep outside the arena of commerce and industry.

I.

In the first place the Government has already more than enough to do without annexing a vast new sphere of activity. Even before the war the business of Parliament was hopelessly congested, and no one will contend that in the turmoil and confusion of the next few years its duties will be lightened. A striking article in

the last number of the Round Table on "the better Government of the United Kingdom" points out that in spite of the artificial restraints on the liberty of debate to which successive Governments have been driven to resort, the legislative output in the pre-war period was quite inadequate to meet the ever changing needs of modern civilization; whilst the control of Parliament over foreign affairs, the Dependencies, and questions of Imperial policy, was notoriously inefficient. Poor Law reform, the amendment of the public health act, the readjustment of local taxation, the registration of land, statute law consolidation, may be cited as glaring instances of Parliamentary neglect. But if the Government and Parliament have failed lamentably to handle the business entrusted to them with any approach to efficiency, what chance is there that they will prove equal to the task of running

complicated and exacting industrial undertakings? It would, I submit, be the height of folly to allow the Government to embark on these new ventures while their own house is in a state of grave disorder.

II.

The second objection to State trading that I would invite you to consider is of an even more serious character. Put briefly it is that State trading tends to create international complications, and increases the risk of War. Most people will agree that the international problems of the next generation will be in a great measure economic, for the War has brought out the fact that military strength is largely dependent upon economic and industrial resources. The importance therefore to a country of commerce and industry is likely to be more fully

realized than ever before, and its promotion will be a primary object with all Governments. Each Government should therefore be in a position to consider these international problems from as broad and detached a point of view as possible, and should not be directly implicated as itself a trader. A rate war, for example, in the transatlantic trade would be a far more serious matter if it were carried on by the Governments of the countries concerned than if it were instigated by private firms. Trade questions and diplomatic questions would thus become largely synonymous, to the risk of the peace of the world. Before the War the German Government was already tending to assume the functions of a bagman, and to exercise them in a manner which was both undignified and dangerous. Economic problems will probably bulk large at the peace conference, and it is to be hoped

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that an attempt will be made to define the limits within which State intervention in matters of foreign trade is justified.

III.

A third objection to State trading on an extensive scale is that it creates a large army of civil service voters, who, in exercising the franchise, may find it difficult to forget that their material prospects can be better promoted by one candidate than another. I need not enlarge on the evils of the Spoils System, for we are all alive to them, and however sanguine we may be that these evils would be resisted, we shall all prefer a system under which the temptation could not arise.

IV.

A fourth objection to State trading is that the organization of a Govern-

ment Department must necessarily differ from that of a private business. You cannot run a public office on business lines, because the conditions of the public service and private undertakings differ *toto coelo* and demand a different form of organization. In business it is necessary to act promptly, to take risks, to have a free hand, to talk as little as possible. Now a Government is handicapped in all these respects because of its responsibility to Parliament and the public. If Treasury control is relaxed and subsequently some blunder is brought to light by the Public Accounts Committee we are treated to a homily on the importance of a close financial supervision. It is natural to all of us that we should wish to err on the side of safety, and, in the case of the Treasury, over-control is safer than under-control. Hence arise many vexations, interferences and heart-

burnings. It would be easy to multiply instances, but one taken at random will serve to illustrate the point. At a certain National Factory it was decided to start a Social Club for the Workers. The Managers were keen, the workers took up the idea warmly, an atmosphere of enthusiasm was created. Obviously it was necessary to strike while the iron was hot ; moreover an option, which had been obtained on the only suitable building, had to be exercised at once, or it lapsed in favour of another party. But the scheme involved an initial outlay of a few hundred pounds for which Treasury sanction was necessary and the wheels of the Gods grind slowly,—(they grind very small too)—as it is over eight months ago since all the details were worked out—but no Treasury sanction has yet been received. Therefore officially the scheme is in a state of suspended

animation, and is likely to remain so, since the game of battledore and shuttlecock is still in full swing. Unofficially—but that is another story. I do not wish to criticize the delay ; it is inevitable ; it is inherent in the Parliamentary System. The fact is that “State management on sound commercial lines,” “a business Government,” are parrot cries incapable of realization so long as Parliamentary control remains a reality, and so long as the party system continues. The shareholders’ meeting of any efficiently run Company is called once a year and terminates its proceedings within an hour. Is there any likelihood that Parliament would be prepared to adopt any such self-denying Ordinance or impose such a degree of confidence in the Government of the day in relation to its business undertakings ?

I do not wish to suggest that Civil Service administration is less efficient

within its own sphere than business management. Mistakes are made in both, but, while the glare of publicity exposes those of the Civil Service, the blunders of private businesses are usually concealed beneath a decent cloak of obscurity. In fact I think that much unjust criticism is levelled at the public services which, within the limits set them, are organized and administered with conspicuous success, and ought to be regarded with pride by the whole nation. Nor do I wish to suggest that Parliamentary control should be relaxed. I am merely concerned to point out that the organization of public and private services is necessarily different, because they are primarily designed for different purposes; and that the delays, circumlocution, and red tape, which one associates with the Government service are in a great measure inevitable. The moral I would draw is that these

methods are unsuitable to industry and foredoom it to failure.

V.

A fifth objection to State trading is that it eliminates competition, and introduces a rigid uniformity of administration which results in stagnation. A healthy competition is the life-blood of industry, and diversity of method is the best guarantee of progress. If Treasury sanction has to be sought before new methods can be adopted and experiments can be carried out, if the responsibility and initiative of the individual are curtailed, if all changes are hedged round with formalities, a shrewd blow will be struck at progress. And it is right that after the War the Treasury should watch all public expenditure with a jealous eye. It will be obliged to balance the rival claims of education,

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railways, super-power stations, housing and a host of other things, if State trading is to be the order of the day, with the result that they will all be starved. The State again will not dare to take the risks that private enterprise does and must if it is to be successful. What is likely to happen if a Government not too securely seated on its Parliamentary throne is invited to undertake a transaction in its business capacity which may lead to brilliant results or end in dismal failure? It will think of its shaky majority, it will reflect on the hostile criticisms of the opposition and the Press, and in nine cases out of ten will play for safety. It is always easier to defend the *status quo* than to explain away a failure. The man of business knows this as well as the politician, but under stress of competition he is obliged to adopt the policy of "nothing venture nothing

have," and on the whole he has ventured wisely. England's commercial greatness has been built up by the initiative and sturdy independence of the business community coupled with the skill of its craftsmen, and it is to the same characteristics that we must look for the maintenance and development of her trade.

VI.

There is one final objection to State trading to which I must refer briefly, although I fear my catalogue has already reached wearisome proportions. It is that by itself entering the arena of trade the State loses the detachment and impartiality which are expected from the ultimate controlling authority. It becomes an interested party, and its decisions are at once suspect. For if the State is a large employer of labour how can it determine the

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industrial disputes in which it is itself interested ?

I have dealt with the question of State Trading at some length because there are strong forces at work which appear to me to be driving us in this direction, and unless we take a firm stand now I fear that we may find ourselves driven violently down a steep place into the sea, as were once certain familiar animals, whom we now look to for support when our meat ration is exhausted.

HAVING eliminated trading as one of the functions of the Government in relation to Industry, I will abandon the negative method and attempt a constructive definition. I would suggest to you that the primary function of the

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Government in relation to Industry is to determine the conditions under which industry shall be conducted by private individuals, firms or corporations, and to see that those conditions are carried out. The first duty of the Government and Parliament is to secure justice as between one section of the community and another. They have to see that a boot-maker, for example, makes his boots under conditions that are fair to his workmen and to the rest of the Community—not to make boots themselves. We are too apt, I think, to forget that a Government and its followers when raised to power by a numerical majority in the House, become thereby the guardians of the interests of the minority as well as those of their own party. They are entrusted, not with the destinies of the majority, but with those of the whole country; they are lifted out

of the rut of sectional self-seeking, and they are called upon to hold the scales of justice evenly. An act of oppression is not less oppressive because it is perpetrated on a minority by a majority. But I am in danger of straying beyond the limits of my subject. I repeat therefore that the first duty of a Government is to secure justice to all, and that in relation to Industry its primary function is to determine the conditions under which industries shall be conducted, and to see that those conditions are carried out. Hitherto it has conspicuously failed in both respects. It has rarely had a consistent policy, and it has still more rarely seen its policy through.

To secure the confidence of both employers and employed it should be recognized as being disinterested; but if it is itself to be the largest employer of labour it will disqualify

itself as the final court of appeal. To-day there are two fundamental problems which are exercising the minds of the Workers—profiteering and the status of labour. They claim—and rightly claim—that capital shall not be unduly rewarded in relation to themselves and that their voice shall have due weight in determining the conditions under which industry shall be carried on. The employer likewise has two bugbears—restriction of output and strikes. He sees that the material prosperity of the country depends primarily upon the production of wealth, and that there can be no real improvement in the former except by increasing the latter. He knows that fundamentally the interests of capital and labour are the same ; that both are necessary to the production of wealth ; that both employers and employed are members of one corporate body, with distinct functions, but one common

goal. Unfortunately the common goal is obscured in the mists of controversy; the vessel is allowed to drift towards the rocks, while the ship's Company dispute over their respective duties and rewards. For a life without ideals is a living death.

It is obviously important that employers and employed should, in the first instance, hammer out their differences amongst themselves. But if they fail to agree, or if their agreement is against the public interest, the final decision, which should be binding on both sides, must rest with the Government elected by the whole community. There must be some outside and impartial authority to resolve the difference of the two parties or the result will be anarchy. This—which is by far the most important function of the State in relation to industry—has never been fully recognized.

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At the time of the great industrial revolution towards the end of the 18th century, the Government under the influence of the *laissez faire* school abdicated so far as industry was concerned, and left it to work out its own salvation. As was inevitable, it proved unequal to the task, because self-interest on either side proved too strong. The difficulty now is that the respective forces are as restive of an authority which has been long unexercised, as were the Barons of the Middle Ages before a strong Government was formed. Capital claims to determine for itself the toll of profit that it will exact; labour claims to decide the wages that shall be paid; whereas the ultimate right of decision should rest in both cases with the community through its chosen representatives.

It is the Government's business to stop profiteering, and to stop exorbitant

wages ; it is for the Government to determine in the last resort the hours and the general conditions of labour ; it is for the Government to hold the scales of justice evenly between labour and capital when differences arise.

Assuredly it is no light task that Parliament and the Government are thus called upon to undertake in relation to Industry. It involves an intimate knowledge of industrial conditions which they have never yet attained, and a degree of control which would make the bones of the old *laissez faire* school turn in their graves. But it differs even more widely from the task which the State Socialists would impose on the Government. For they would endow the Government with the functions of umpire and batsman in the same game, whereas, in the view put forward, it is essential that the two should be kept separate.

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I have left myself but little time to consider the secondary functions of the Government in relation to Industry, although I fully recognize that they are of very real importance and often bulk more largely in the public eye than the one which I have stressed to-day.

They may be grouped, broadly, under the heading of the encouragement of industrial development. In this category come the promotion of industrial research, the development of the consular services, the thorny problem of the support of the key industries, the still more controversial problem of protection *versus* free trade. In this category may also be included the elimination or prevention of wasteful competition. For, if competition has its uses it has also its abuses. The competition among the British Railway Companies before the War is a case in point. No one would

wish, I believe, to revert to the old conditions, or fail to recognize the great advantages and economies arising from a closer co-ordination. It is for the State to step in and insist that this co-ordination is carried out on right lines. Similarly it has been brought home to the country that a broad and comprehensive scheme for the supply of cheap electric power through big central stations is of vital importance to industrial development. But the task of reducing the present chaos to order is beyond the powers of private enterprise without legislative assistance. It is urgently necessary that the Government should lay down the conditions under which these super-power stations may be erected, but, having done this, they should leave the actual work to be carried out by private enterprise.

These briefly are some of the problems which the Government is called

upon to face in the interests of industrial development, and their mere enumeration conveys a striking picture of the magnitude of the task with which the Government is faced. I have made no reference at all, it may be noticed, to the question of Government control during the transitional period following upon the conclusion of peace. The reason is that I am not concerned with a temporary and wholly exceptional phase in our industrial life, which we shall all wish to abridge as much as possible.

I have thought it best to concentrate upon the primary function of the Government in relation to Industry, which is, I repeat, to determine the conditions under which industry shall be conducted by private enterprise, and to see that those conditions are carried out. And I have emphasized this aspect because there is a real danger, in my view, that the Government will

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try to turn trader and attempt to remedy its sins of omission by sins of commission, which will merely make confusion worse confounded.



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